

FISCAL NOTE

Bill #: SB167

Title: Technology districts -- tax increment financing

Primary Sponsor: Jeff Mangan

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue:

1. This bill allows for the creation of technology districts that are funded in part through tax increment financing. The bill sets out the conditions required to establish a technology district and amends title 7, chapter 15, part 42 so technology districts are included in the tax increment financing language.
2. Because property taxes are collected in November and May of the following fiscal year, the increment would have to be recognized as of January 1, 2006 to have any impacts in the current biennium.
3. It is unknown if any technology districts will be created in time to have any impacts in the current biennium. However, for the purposes of this fiscal note and illustration, it is assumed that 1 technology district will be established during the 2007 biennium.
4. It is assumed that this technology district would be established during calendar year 2006, and that the incremental taxable value would be effective as of January 1, 2007, or tax year 2007.
5. The amount of investment in the increment is assumed to be \$1,000,000. The \$1,000,000 represents \$200,000 in real property and \$800,000 in personal property.
6. For tax year 2007, the incremental taxable value of real property in the technology district would be \$5,244 $((\$200,000 - (\$200,000 \times 14.60\%)) \times 3.07\%)$
7. For tax year 2007, the incremental taxable value of personal property in the technology district would be \$24,000 $(\$800,000 \times 3\%)$.

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(continued)

8. For tax year 2007, the total incremental taxable value of the technology district would be \$29,244 (\$5,244 + \$24,000).
9. The incremental taxable value of the district would take effect January 1, 2007, but the property tax collected on the increment would be collected in November 2007 and May of 2008, or FY 2008.
10. Using the aforementioned assumptions, this bill would reduce general fund revenues by \$2,778 (29,244 x 95 mills) in FY 2008.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

A local governing body, by ordinance and following a public hearing, will authorize the creation of a technology district for technology infrastructure development projects. Local governments and school districts would lose tax base, along with revenues not received from the incremental value of districts. In the illustrated example of a \$1,000,000 increment, if local governments and schools had a combined mill levy of 500 mills, revenues would decrease by \$14,622 (29,244 x 500 mills) in FY 2008.

LONG-RANGE IMPACTS:

This bill will have a long-range impact on the state general fund. As shown under the assumptions section of this fiscal note, if a \$1,000,000 investment in a technology district were authorized and established as an incremental district, SB 167 would reduce general fund revenues by \$2,778 in FY 2008.

Impacts to the state general fund in subsequent years will depend on the creation of new districts, and to the growth of each district's incremental taxable value.

TECHNICAL NOTES:

1. New section 1(1) states "the tenants of a technology district must be businesses or organizations...". The bill also provides language in new section 1(2)(a) "shall consist of a continuous area with an accurately described boundary;". These two sections could significantly restrict the size of a given increment district, and make administration of incremental values difficult; especially if numerous small districts are authorized by local governments.
2. New section 1(2)(d) states that a technology district "must, prior to its creation, be found to be deficient in infrastructure improvements necessary for technology development". There is no provision that tests this criterion, nor does the bill address who would determine if this criterion was met.